

Balaxi Pharmaceuticals Limited

Transcript of 81st Annual General Meeting held on Friday, August 23, 2024 at 11:30 a.m. through Video Conferencing (“VC”)/ Other Audio Visual Means (“OAVM”)

➤ Presence:

Sno.	Name of the Directors/ Attendees	Designation
1.	Mr. Ashish Maheshwari	Managing Director; Chairperson of the Board and Risk Management Committee.
2.	Mr. Kunal Mahendra Bhakta	Independent Director and Chairperson of Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee.
3.	Mr. Mangina Srinivas Rao	Independent Director
<u>In Attendance:</u>		
4.	Mr. Mahesh Inani	Company Secretary and Compliance Officer
<u>By Invitation:</u>		
5.	Mr. Sunny Purohit	Chief of Staff and Vice President – MD’s Office
6.	Mr. Yogindunath S	Scrutinizer and Designated Partner of BVR & Associates Company Secretaries LLP, Secretarial Auditors.
7.	Mr. A.S. Rao	Partner of M/s P. Murali & Co., Chartered Accountants, Statutory Auditors

Mr. Mahesh Inani, Company Secretary and Compliance Officer:

Good Morning Ladies and Gentlemen.

This is Mahesh Inani, Company Secretary and Compliance Officer of the Company and it gives me immense pleasure to welcome you all to the 81st Annual General Meeting (AGM) of Balaxi Pharmaceuticals Limited which is being conducted via Video Conferencing (VC)/ Other Audio Video Means (OAVM) in accordance with the circulars issued by the Ministry of Corporate Affairs (MCA) and Securities and Exchange Board of India (SEBI). The registered office of the Company situated at Hyderabad shall be deemed as the venue for this AGM to transact the businesses as mentioned in the notice.

I would like to introduce the Directors and other dignitaries who have joined the AGM from their respective locations:

1. Mr. Ashish Maheshwari, Chairman and Managing Director
2. Mr. Kunal Bhakta, Independent Director and Chairman of Audit Committee, Stakeholders Relationship Committee and Nomination and Remuneration Committee

Registered Office:

Plot No. 409, H. No. 8-2-293, Maps Towers, 3rd Floor, Phase III, Road No. 81, Jubilee Hills, Hyderabad (T.G.) - 500 096

CIN: L25191TG1942PLC121598

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3. Mr. Mangina Srinivas Rao, Independent Director

I would also like to confirm that partner of M/s P. Murali & Co., Chartered Accountants, Statutory Auditors and Designated Partner of M/s BVR & Associates Company Secretaries LLP, Secretarial Auditors and scrutinizer for the meeting and e-voting processes are also attending the meeting.

Since the requisite quorum is present, with the permission of Chairman, I call the meeting to order.

All members who have joined this meeting are by default, placed on mute mode by the host to avoid any disturbance arising from background noise and ensure smooth and seamless conduct of the meeting. The access to join this meeting opened 30 minutes before and will be kept open throughout the meeting.

I would like to inform you that, in accordance with the provisions of the Companies Act, 2013, MCA & SEBI Circulars, Company has taken all of the necessary steps and made every effort under the current circumstances to enable members to participate in this AGM via VC/OAVM.

I would also like to take this opportunity to inform the members that the Register of Directors and Key Managerial Personnel and their shareholding, the Register of Contracts in which Directors are interested, as well as any other documents that are mandated to be made available for inspection by the members in accordance with the Act, are available for inspection electronically. Members, who are interested in inspecting the same, may also send an email to secretarial@balaxi.in.

As this AGM is being held through VC / OAVM, the facility for appointment of proxies by the members is not applicable.

I would like to inform you that the Company has, in accordance with the provisions of the Companies Act, 2013, the Rules made thereunder, and the SEBI Listing Regulations, provided remote e-voting facility to its Members to cast their votes electronically on the resolutions proposed to be passed at this AGM.

The remote e-voting commenced on Tuesday, August 20, 2024 at 9.00 a.m. and ended on Thursday, August 22, 2024 at 5.00 p.m.

Members, who are present at this Meeting today and have not voted earlier through remote e-voting, may cast their vote by voting during the meeting through e-voting facility provided by NSDL. The icon for e-voting is available on the screen.

Please note that Members who have voted earlier by remote e-voting are not eligible for voting at the AGM. If such Member casts vote, voting done through remote e-voting shall prevail and votes cast at this Meeting shall be treated as invalid.

The Board of Directors has appointed BVR & Associates Company Secretaries LLP, as the Scrutinizer for the meeting and e-voting process.

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I now request the Chairman to address the members.

Mr. Ashish Maheshwari, Chairman of the Board and Managing Director:

Good Morning, Dear Shareholders. I welcome everyone to this Annual General Meeting for the Financial Year 2023-24. The Annual Report has already been sent to all the shareholders and I hope you must have got a chance to go through the numbers.

The Chairman provided an overview of the financial year 2024, highlighting the challenges faced by the company, including currency fluctuations in Angola and political issues in the Dominican Republic. He reassured the shareholders that the company was on the path to recovery, with significant efforts being made in institutional sales in Angola and expansion into Latin American markets.

He also updated the shareholders on the progress of the company's first formulation facility in Hyderabad. Construction began in mid-May, and the civil construction was expected to be completed by November 30, 2024. The company anticipated starting production by May 2025.

Mr. Mahesh Inani, Company Secretary and Compliance Officer:

Now moving on to the proceedings of the meeting, the Notice convening this meeting along with Annual Report for the year 2023-24 has already been circulated to the members. With your permission, I shall take them as read. All the resolutions mentioned in the notice of 81st AGM are now tabled before the meeting.

Statutory Auditors Reports for the Financial Year ended March 31, 2024, do not contain any qualification, observation, comment or other remarks or disclaimer and hence the Statutory Auditors' Reports are taken as read.

Further, Secretarial Auditors Report is also a part of the Annual Report and there are no qualifications, observations or comments or other remarks in the Secretarial Audit Report that has any material adverse effect on the functioning of the Company and hence, the Secretarial Auditors Report is taken as read.

All resolutions proposed in this AGM shall be decided through e-Voting only. There will be no proposing or seconding of the resolutions or voting by show of hands or ballots.

Pursuant to the Secretarial Standards, please note that as per the Notice of AGM, the resolution nos. 1 to 3 are mandatorily required to be passed at an AGM under the provisions of the Companies Act, 2013, considered as important and unavoidable by the board and hence is proposed at this AGM. I would like to inform the members that, the text of resolution and the explanatory statement, wherever applicable have been provided in the notice convening this AGM and has been circulated to the members and is also available on the website of the Company.

For the information of the members, I will read out the items as proposed in the notice of the AGM:

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Ordinary Business:

Item No. 1 – Adoption of Audited Standalone Financial Statements.

Item No. 2 – Adoption of Audited Consolidated Financial Statements.

Item No. 3 – Re-appointment of Mrs. Minoshi Maheshwari (DIN: 01575975) as a director, liable to retire by rotation.

After completion of the scrutiny of the electronic votes, the Scrutinizer will submit his report to the Chairman. The voting results along with Scrutinizer's Report will be announced within two working days of the conclusion of AGM. The said results would be displayed at the Registered Office of the Company and on its website at www.balaxipharma.in and simultaneously intimated to the NSDL and NSE. The Scrutinizer's decision on the validity of votes cast will be final.

The members who have not voted on the resolutions yet, either through remote e-voting or during the meeting, may vote now. The voting window will be open for 15 minutes after the conclusion of the meeting.

The meeting is now open for discussion and queries if any. I, now handover the proceedings to moderator to call the names of the shareholders registered as speaker one by one.

Shareholder 1:

Questions:

1. What are the expected sales for the fiscal year 2026-27 once the new plant becomes fully operational?
2. Have we decided where we will export products from our own plant?
3. Why hasn't our son been made a director in the company, especially when there are vacancies due to some resignations?
4. What is the situation with credits from our suppliers? Given that we are still a trading company, are they still forthcoming with more credits, and on what terms?

Responses by Chairman, Mr. Ashish Maheshwari:

1. The Chairman explained that while the plant would likely start production by June, full operations might take until September or October. Once fully operational, they expect significant contributions from the plant to their sales in Latin America.
2. The company is focused on ensuring quality and timely delivery, particularly to tender markets in Latin America.
3. Regarding the appointment of family members as directors, the Chairman did not provide a detailed response but focused on broader governance and operational issues.
4. The Chairman confirmed that the company enjoys good credit terms from long-standing suppliers, with some extending credit for up to 120-150 days.

Shareholder 2:

Question:

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- Critiqued the Chairman's speech in the annual report, suggesting it could better reflect the company's strategic direction and passion. The shareholder also asked about the intellectual capital the company claims to have, given its current status as primarily a trading company.

Response by Chairman, Mr. Ashish Maheshwari:

- The Chairman clarified that the intellectual capital refers to their extensive product registrations, which are critical for entering new markets. These registrations, which involve the creation of detailed technical dossiers, represent significant intellectual property for the company.

Shareholder 3:

Questions:

1. How much investment is being made in the Hyderabad plant?
2. What is the expected difference in gross margins between products produced in-house versus traded goods?

Response by Chairman, Mr. Ashish Maheshwari:

- The investment in the Hyderabad plant is expected to be between 32 to 35 crores. The company anticipates a margin improvement of around 18% to 20% on products manufactured in-house compared to those purchased from the market.

Shareholder 4:

Questions:

1. What is the status of the new manufacturing plant?
2. What updates can be provided on the Hyderabad facility?

Response by Chairman, Mr. Ashish Maheshwari:

- The plant's construction began in mid-May and is progressing on schedule, with the final slab expected to be completed by November 30. Production is projected to start by May or June of 2024, barring any unexpected delays.

Shareholder 5:

Question:

- Can you provide a sales estimate for FY 2026-27 and explain the expected EBITDA margin once the plant is fully operational?

Response by Chairman, Mr. Ashish Maheshwari:

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- The Chairman mentioned they are targeting sales between 360 to 400 crores, with a healthy EBITDA margin expected once the plant reaches 80% capacity. Specific figures for the margin were not disclosed but would be discussed further in a follow-up Zoom meeting.

Additional Points Raised:

- The Chairman addressed concerns about cash flow, acknowledging that free cash flow might be limited in the short term due to reinvestment in growth initiatives.

- The importance of maintaining good relationships with long-standing suppliers and the strategic focus on Latin America and Angola was reiterated.

Question:

- Can you provide a sales estimate for FY 2026-27 and explain the expected EBITDA margin once the plant is fully operational?

Response by Chairman, Mr. Ashish Maheshwari:

- The Chairman mentioned they are targeting sales between 360 to 400 crores, with a healthy EBITDA margin expected once the plant reaches 80% capacity. Specific figures for the margin were not disclosed but would be discussed further in a follow-up Zoom meeting.

Mr. Ashish Maheshwari, Chairman of the Board and Managing Director:

Thank you, with no further queries / questions, we will move on to the vote of thanks.

I would like to take this opportunity to extend my gratitude to the attendees for participating in this meeting via video conference. I would also like to extend my gratitude to the members as well as the rest of the team for their contributions to the accomplishment of this AGM. I would like to thank each of my fellow board members.

I now declare the meeting as concluded. With your consent, I and other members of the Board and senior management team would like to leave the meeting and request all the members to stay safe and healthy.

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